

Message Text

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PAGE 01 ANKARA 03730 122039Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 PA-02 PRS-01 /100 W

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R 121356Z MAY 75

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 9167

INFO AMCONSUL ISTANBUL

AMCONSUL IZMIR

USMISSION OECD PARIS

UNCLAS ANKARA 3730

E.O. 11652: N/A

TAGS: EFIN, EINV, TU

SUBJ: FURTHER LIBERALIZATION PERMITTING FOREIGNERS TO HOLD
FOREIGN EXCHANGE ACCOUNTS IN TURKISH BANKS

REF: (A) A-177, SEPT 27, 1974 (B) ANKARA 1450

1. INCREASINGLY CONCERNED ABOUT TURKEY'S FALLING FOREIGN EXCHANGE RESERVES, THE GOT HAS FURTHER LIBERALIZED REGULATIONS PERMITTING TURKISH BANKS TO HOLD AND DEAL IN FOREIGN EXCHANGE. REGULATIONS ANNOUNCED MAY 8 HAVE EXPANDED THE CATEGORIES OF FOREIGNERS AND TURKISH CITIZENS OR CORPORATE PERSONS WHO MAY OPEN CONVERTIBLE ACCOUNTS IN DESIGNATED TURKISH BANKS. THE BANKS ARE HEREAFTER AUTHORIZED TO PAY INTEREST ON THESE ACCOUNTS AT UP TO 1.75 PERCENT MORE THAN THE CURRENT INTEREST RATES PAID BY EUROPEAN BANKS FOR SIMILAR ACCOUNTS. THESE NEW REGULATIONS IN EFFECT RESTORE THE SYSTEM OF "CONVERTIBLE LIRA ACCOUNTS" WHICH WAS TERMINATED IN EARLY 1973 WHEN TURKEY HAD BUILT UP SUBSTANTIAL FOREIGN EXCHANGE RESERVES.

2. IN A RELATED MOVE APPARENTLY DESIGNED TO HELP ALLEVIATE
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PAGE 02 ANKARA 03730 122039Z

THE LIQUIDITY PROBLEMS OF THE PRIVATE SECTOR IN TURKEY,

AUTHORIZED BANKS ARE PERMITTED TO LEND UP TO 100 PERCENT OF THEIR SPECIAL FOREIGN EXCHANGE ACCOUNTS IN EITHER FOREIGN EXCHANGE OR TURKISH LIRA FOR INVESTMENTS IN THE TURKISH PUBLIC AND/OR PRIVATE SECTOR. (PREVIOUSLY, THE BANKS WERE AUTHORIZED TO MAKE LOANS UP TO ONLY 75 PERCENT OF THEIR FOREIGN CURRENCY ACCOUNTS).

3. COMMENT: THE LIBERALIZATION MOVES OUTLINED ABOVE CONTINUE A SERIES OF MEASURES INITIATED IN SEPTEMBER 1974 AUTHORIZING CERTAIN TURKISH BANKS TO HOLD AND DEAL IN FOREIGN EXCHANGE. THE TURKISH COMMERCIAL BANKS WERE INITIALLY SLOW TO OPEN FOREIGN EXCHANGE ACCOUNTS, LARGELY DUE TO THEIR LACK OF FAMILIARITY WITH FOREIGN CURRENCY TRANSACTIONS. HOWEVER, THERE HAS BEEN RECENT ACTIVITY OF THIS TYPE ON AN INTER-BANK BASIS WITH INTERESTED AMERICAN BANKS. TIGHT MONEY AND HIGH INTEREST RATES IN TURKEY (14 PERCENT AND UP, IN SOME CASES) SHOULD PROVIDE SUFFICIENT INCENTIVES FOR TURKISH BANKS TO EXPAND THEIR USE OF SUCH FOREIGN EXCHANGE FACILITIES. THE GOT CLEARLY HOPES THAT ITS MEASURES IN THIS REGARD WILL ATTRACT FOREIGN EXCHANGE FROM ABROAD INTO THE TURKISH BANKING SECTOR AND RELIEVE PRESSURES ON TURKEY'S OFFICIAL FOREIGN EXCHANGE RESERVES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE, FOREIGN EXCHANGE CONTROLS, BANK ACCOUNTS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ANKARA03730
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750166-0239
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750559/aaaacbdutel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 A-177, 75 SEPT 27, 75 1974, 75 ANKARA 1450
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUL 2003 by SilvaL0>; APPROVED <12 FEB 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER LIBERALIZATION PERMITTING FOREIGNERS TO HOLD FOREIGN EXCHANGE ACCOUNTS IN TURKISH BANKS
TAGS: EFIN, EINV, TU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006